



## PHILIPPINE SOCIAL PROTECTION NOTE

JULY 2011  
NO. 3

63418



## Welfare and Distributional Impacts of the *Pantawid Pamilyang Pilipino Program*

Rashiel Velarde and Luisa Fernandez<sup>1</sup>

*This Policy Note presents the potential poverty impacts of the Pantawid Pamilyang Pilipino Program (Pantawid Pamilya) using simple analytical tools and the government's largest database of poor households to date, the National Household Targeting System for Poverty Reduction (NHTS-PR). In doing so, the Note also aims to encourage policy-makers and researchers to not only use the NHTS-PR for its intended purpose, that is, for objective targeting of social assistance programs, but also for analysis to maximize the utility of information contained in the database. The Note finds that the Pantawid Pamilya can reduce poverty incidence among beneficiaries by up to 6.2 percentage points. In program areas, it can reduce poverty incidence by 2.6 percentage points and inequality by 6.6 percent. Increasing compliance of existing beneficiaries will enhance the poverty-reducing impacts of the Pantawid Pamilya. Expanding program coverage will produce higher impacts as long as targeting and program implementation remains properly managed.*

### 1. Introduction

**Poverty remains a big challenge for the Philippines.** Income poverty in the Philippines has generally declined since the early 1990s. From 33.1 percent of the population being poor in 1991, the share of poor Filipinos was brought down to 24.9 percent in 2003. In recent years, however, there was a reversal in this trend. Latest official poverty estimates show that poverty has increased since 2003. In 2009, the share of the poor population, or those who are unable to meet their basic food and non-food needs, was estimated at 26.5 percent (NSCB, 2011). In addition to income poverty, human development outcomes especially in education and health are lagging. Primary education is still far from universal while maternal mortality and child malnutrition are among the highest in East Asia and Pacific region (NEDA et al, 2010). This happened despite the historically high record of economic growth in 2000 until 2010, which averaged 4.7 percent annually versus 2.4 percent of the two decades before. This suggests that, on aggregate, the poor have not benefited from growth.

**The limited capability of Filipinos to manage shocks slows the pace of reducing poverty.** The failure of poverty to decline in 2009 was attributed mainly to the impacts of various crises that affected many Filipinos in 2008 and 2009, which include the food and fuel crises, the global financial crisis, and the disaster brought about by typhoons *Ondoy* and *Pepeng* in late 2009. The 2009 national household survey revealed that about 9.4 percent of the population, or

The Philippine Social Protection Note series aims to disseminate experiences, good practices, and key findings from the Philippines on the topics related to social protection. It also aims to broaden the dialogue on social protection and stimulate public engagement in moving forward the policy agenda. The views expressed here are those of the authors and do not necessarily reflect those of the World Bank.

<sup>1</sup> Rashiel Velarde (rvelarde@worldbank.org) and Luisa Fernandez (lfernandezdelgad@worldbank.org), Social Protection Unit, The World Bank Office Manila. The authors wish to thank the Department of Social Welfare and Development for sharing the NHTS-PR and *Pantawid Pamilya* data used in this Note.



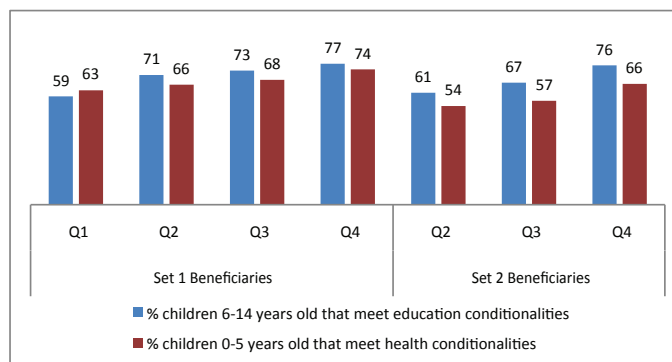
about 8 million Filipinos, are living just above the poverty line and are at risk of falling into poverty when income shocks like these arise.<sup>2</sup> The poor faces greater risks as they have limited means to cope. Surveys show that the poor were indeed disproportionately affected by recent shocks.<sup>3</sup> In particular, it was found that the El Niño in early 2010 affected 58 percent of the poorest households, half of whom depend on agriculture as their family's main source of income. The 2008 food crisis was also estimated to have increased the income shortfall of the poor from the poverty line by 1.3 percentage points, mainly because the poor are net consumers of rice (World Bank, 2008).

## 2. The *Pantawid Pamilya*<sup>4</sup>

The government developed the *Pantawid Pamilyang Pilipino Program (Pantawid Pamilya)* that has now become its flagship social assistance program to help the poor. The *Pantawid Pamilya* is a conditional cash transfer (CCT) program that provides short-term income support to the poor to help them meet their immediate needs while enhancing their human capital to overcome future poverty. It provides cash to eligible households if they agree and comply with the program's conditions. This new approach to addressing poverty was adopted by the Philippine government following the success of CCTs in Latin America. The *Pantawid Pamilya* was launched in February 2008 with the first 330,000 household beneficiaries (Set 1) and then scaled up in 2009 to cover another 320,000 households (Set 2). By April 2011, the program has grown to about 1.9 million household beneficiaries and is slated for further expansion by the end of 2011 and 2012. To become eligible for the *Pantawid Pamilya*, a household needs to satisfy a uniform set of criteria, which include (i) residing in program areas of the *Pantawid Pamilya*, (ii) being identified as poor based on a proxy means test (PMT), and (iii) having a pregnant woman or having at least one child below 15 years old at the time of enrolment into the program.

Being a conditional cash transfer program, beneficiaries receive grants when they comply with program conditionalities. The *Pantawid Pamilya* provides two types of grants – a health grant of Php 500 (\$12<sup>5</sup>) per household per month for 12 months and an education grant of Php 300 (\$7) per 6-14 year old child attending school (for a maximum of 3 children in this age range) for 10 months of the school year.<sup>6</sup> Health conditions apply to pregnant mothers and children aged 0-5, while education conditions apply to children aged 6-14. A beneficiary household can receive a maximum health grant of Php 6,000 (\$143) and a maximum education grant of Php 3,000 (\$72) per child if it complies with the health and education conditionalities of the program 100 percent throughout the year. Actual grants received by beneficiaries depend on their compliance to health and education conditions, which is regularly monitored through the *Pantawid Pamilya's* Compliance Verification System (CVS). Based on the latest CVS reports, children's

**Figure 1. Monitored Compliance to *Pantawid Pamilya* Conditionalities, 2010**



Source: DSWD, *Pantawid Pamilya* CVS report as of April 2011.

Note: Figure presents the share of children complying with the education and health conditionalities against all children who are being monitored to receive the respective grants in each period.

<sup>2</sup> World Bank staff estimate based on the proportion of the population whose income lies within 20 percent above the official poverty line.

<sup>3</sup> The World Bank commissioned two surveys in May 2009 and July 2010 to understand the social impacts of shocks that happened in 2009 and 2010. The May 2009 survey asked about the effects of the global financial crisis while the July 2010 survey was expanded to include the social impacts of typhoons Ondoy and Pepeng, El Niño, and illness or death in the family. Both surveys were based on nationally representative samples of 1,600 adults.

<sup>4</sup> Details of the *Pantawid Pamilya* program, including the complete list of program conditionalities, monitoring systems, and institutional set-up are found in Social Protection Policy Note No. 2 (May 2011).

<sup>5</sup> For the rest of the Note, \$ refers to US dollars. Conversion rate used is Php42.0 = \$1.0.

<sup>6</sup> Children aged 3-5 years old attending Day Care can be included in the education package if the beneficiary household has less than 3 children aged 6-14 years old.

attendance to school and visits to health centers have been improving in 2010. In the last quarter of 2010, close to 80 percent of children registered to receive the *Pantawid Pamilya* education grant complied with the program conditions, that is, they were present in school at least 85 percent of the time during that period. Compliance of children registered to receive the health grant improved as well especially among Set 2 beneficiaries, although at a slower pace than education. The increase in compliance rates especially in early 2010 also reflects efforts made in updating beneficiary information. This ensured that schools and health centers where children go are correctly recorded in the system so that compliance is monitored properly and grants are paid accordingly.

**How the *Pantawid Pamilya* can impact poverty in the Philippines is of interest given the investments poured in by government into this new program.** Past social assistance programs – and even many of those existing now – suffer from high leakage of benefits to unintended beneficiaries because of mis-targeting (World Bank, 2008; Manasan and Cuenca, 2007). The *Pantawid Pamilya* is the first program in the Philippines that benefits from an objective, transparent, and a uniform system of targeting poor household beneficiaries. Early signs of successful program implementation of the *Pantawid Pamilya* and its targeting system, combined with the government’s realization of the immediate need to address the high degree of vulnerability among Filipinos, led to the program’s rapid scale up. Consequently, budget allocation to the *Pantawid Pamilya* increased rapidly – it doubled from 2010 to 2011 and now has grown by more than 10 folds since it was launched in 2008. Rigorous impact evaluations of these programs in other countries show that CCTs can be good instruments to address present and future poverty (Fiszbein and Schady, 2009). Expectations are high that the Philippine CCT program will deliver on this same promise.

### 3. Simulating the Impacts of *Pantawid Pamilya* on Poverty

**While the *Pantawid Pamilya* is still in its beginnings and in-depth evaluation is still on the way, simple analytics can already be done to show its potential impacts on poverty and guide policy actions.** Various tools can be used to analyze the poverty and distributional impacts of policy reforms to different groups, especially to the poor and vulnerable. Analysis can be undertaken at various stages of reform or program implementation, and their application depends mainly on the quality of data that is available. Ex-ante impact analysis can inform the choice, design, or timing of reforms or new programs that are being planned. During implementation, monitoring the impacts of a reform or a new program such as the *Pantawid Pamilya* can lead to refinements in its implementation or a reconsideration of the pace of implementation and its institutional arrangements. Finally, ex-post impact analysis assesses the actual distributional impacts of a completed reform or program and helps in the design of future reforms.

**This Note presents a simulated impact analysis of the *Pantawid Pamilya* on the welfare of beneficiaries and poverty in program areas.** The analysis uses a simple simulation exercise to estimate how the *Pantawid Pamilya* can contribute in reducing poverty and inequality using real data about household beneficiaries contained in the NHTS-PR. Income is used as the welfare measure and the official provincial poverty lines set by the government are used to identify the poor. Households’ predicted income based on the PMT model<sup>7</sup> is used as the pre-transfer income while the post-transfer income is estimated by augmenting the household’s pre-transfer income by the estimated amount of the *Pantawid Pamilya* cash transfer. We measure the potential poverty impacts of the program by looking at changes in the poverty incidence, poverty gap, squared poverty gap and the Gini coefficient as a measure of inequality in program areas and among program beneficiaries before and after the transfer. This approach has important shortcomings that are well-documented in the evaluation literature. One is that it rules out behavioral changes, such as the natural tendency of households to look for additional sources of income in times of hardship. Indirect effects to beneficiaries or possible spill-over effects to non-beneficiaries are also not incorporated in the analysis.<sup>8</sup> Given these limitations, it is still important to understand the impacts on poverty in the short run while waiting for the rigorous impact evaluation of the *Pantawid Pamilya* because it allows us to approximate the true impact of the program.

<sup>7</sup> The PMT predicts per capita income on the basis of socio-economic conditions of the household, education of members, housing conditions, access to basic services, ownership of assets, tenure status of the housing unit, and regional control variables.

<sup>8</sup> Oportunidades appears to have had positive spillover effects on school enrollment among children above the cut-off point of the proxy means who were ineligible for transfers. Bobonis and Finan (2008) argue that the increase was a result of peer effects—barely ineligible children in Oportunidades communities were more likely to enroll because their eligible peers were in school.



In estimating the amount of income transfer, we apply the latest available information on beneficiary compliance to program conditionalities. As mentioned earlier, grants received by *Pantawid Pamilya* beneficiary households depend on their compliance to the health and education conditionalities that they agreed to. As we do not have the data on compliance at the household level, we take the aggregate compliance rates presented in Figure 1 and incorporate them in the analysis to get more realistic results. Specifically, we use the average compliance rates for education and health in Set 1 and Set 2 areas in the last quarter of 2010 to estimate the amount of grant received by beneficiary households in a year. The grant amount and post-transfer income for each beneficiary household are estimated as in Box 1. For comparison, we also present results based on 100 percent compliance to program conditionalities throughout the year.

#### Box1. Estimating the Post-transfer Income of a *Pantawid Pamilya* Household Beneficiary

The amount of grant received,  $Grant_i$ , by a *Pantawid Pamilya* beneficiary household,  $i$ , and post-transfer income,  $toinc_{i(y=2)}$ , are computed as below. Since we did not have the actual data on household-specific compliance to education and health conditionalities for this analysis, we applied the aggregate compliance rates in Set 1 and 2 areas during the last quarter of 2010 to estimate the grants received by beneficiaries.

$$Grant_i = H_i * \text{Full annual health grant} * C_i^H + E_i * \text{Full annual education grant} * C_i^E, \text{ and}$$

$$toinc_{i(y=2)} = toinc_{i(y=1)} + Grant_i, \text{ where}$$

$H_i = 1$  if the household is eligible to receive the health grant, or 0 if not;

$E_i = [0,1,2,3]$  the number of children eligible to receive the education grant;

Full annual health grant = Php 6,000 = Php 500/month/household\*12months;

Full annual education grant = Php 3,000 = Php 300/month/child\*10months;

$C_i^H = 0.70$ , the average compliance rate on health conditionalities;

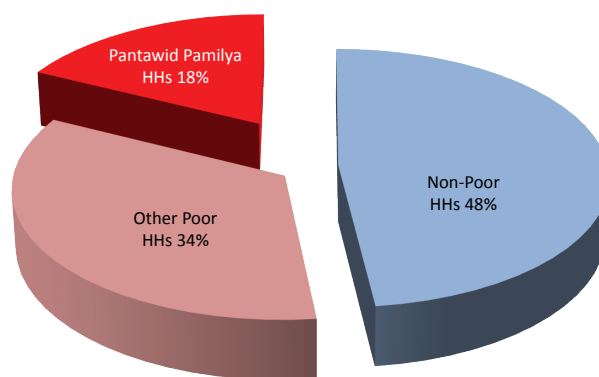
$C_i^E = 0.77$ , the average compliance rate on education conditionalities; and

$toinc_{i(y=1)}$  = total income of a beneficiary household prior to the *Pantawid Pamilya*, or at  $y=1$ , based on the PMT-predicted per capita income of the household and the household size.

### The NHTS-PR Data

The National Household Targeting System for Poverty Reduction (NHTS-PR) is the government's largest and most updated database of poor households. The Department of Social Welfare and Development (DSWD) conducted a nationwide survey for the NHTS-PR from 2008 until 2010. It started as a small survey operation to identify potential program beneficiaries of the *Pantawid Pamilya*. The survey resulted in a database that, as of April 2011, contains more than 50 million individuals and 10.8 million households from 80 provinces across the country. Of this number, the database identifies about 5.2 million poor households using a PMT model. The PMT is widely considered to be the most straightforward, practical, and reliable way to gauge poverty particularly in countries such as the Philippines with a large informal sector and where actual incomes are difficult to verify.<sup>9</sup> About 75 percent of poor households in the database live in rural areas and 25 percent in urban areas, which reflects the distribution of the poor based on official national household poverty surveys.

Figure 2: What's in the NHTS-PR



Total households in NHTS-PR=10.8 million

Source: DSWD, NHTS-PR Database

<sup>9</sup> From the Philippine Labor Force Surveys, it is estimated that the informal sector in the Philippines, or those who are self-employed without any paid employee and employers in own family-operated farm or business, account for nearly 40 percent of the total employed sector.

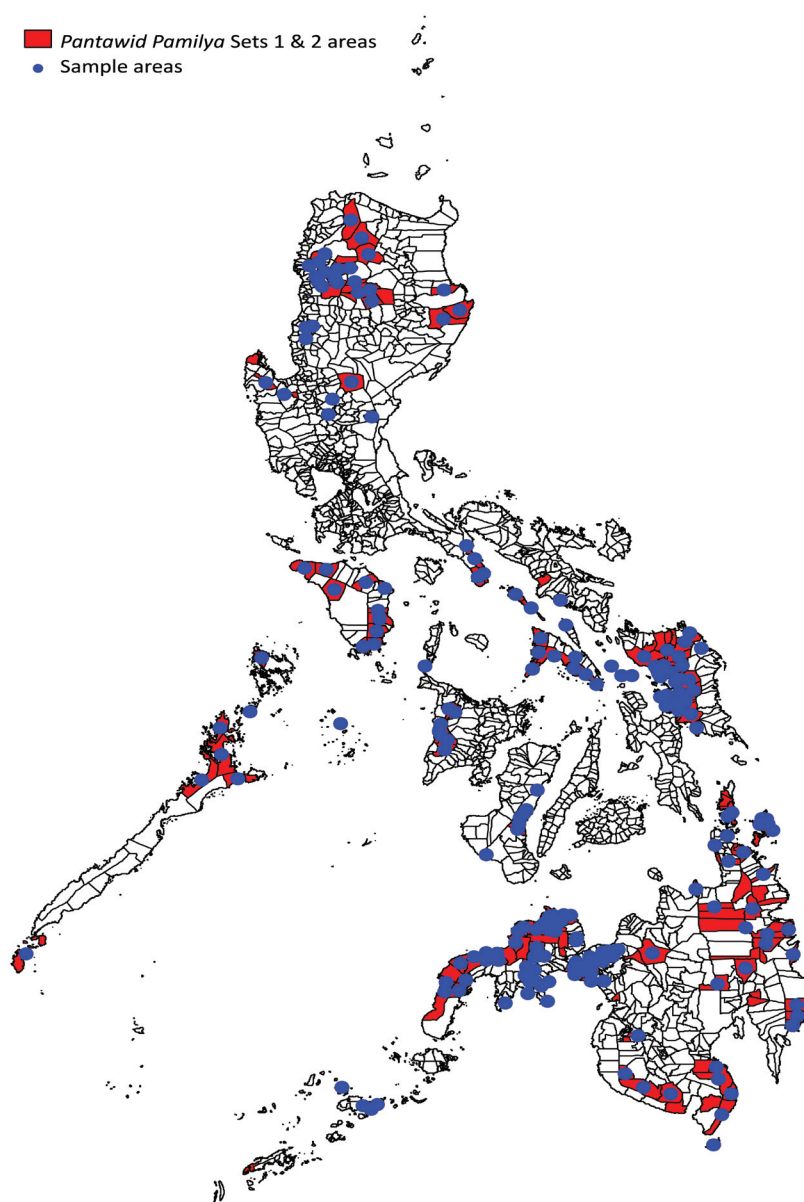


Besides the list of surveyed households and the poor, the NHTS-PR contains other information that is useful for poverty analysis. As basis for identifying poor households, the NHTS-PR collects basic socio-economic indicators of households. This includes household composition, education of household members, housing conditions, access to basic services, and ownership of assets, among others. This information is used to predict the pre-transfer per capita income using the PMT model that is then compared with the official poverty thresholds in the province to identify the poor. In addition, the NHTS-PR also identifies current beneficiaries of the *Pantawid Pamilya*. Data on predicted pre-transfer incomes of all the households in the database – poor and non-poor households, *Pantawid Pamilya* beneficiary or not – allow the use of quantitative methods in analyzing poverty impacts. Socio-economic indicators allow one to look at the profile of *Pantawid Pamilya* beneficiaries versus non-beneficiaries in program areas before the program was introduced.

For the poverty analysis to be meaningful, we only include *Pantawid Pamilya* program areas with sufficient information about the population. *Pantawid Pamilya* municipalities where NHTS-PR covered at least 80 percent of the population were included in the analysis.<sup>10</sup> This is to ensure that sample areas have sufficient representation of the population and bias is minimized when we compute for poverty indicators in these program areas. Municipalities that made it to the sample are mapped in Figure 3. All households surveyed by the NHTS-PR in these areas are included in the analysis. In total, the sample consists of 1.2 million households – of which about 722,000

are identified as poor (62 percent) and about 486,000 are *Pantawid Pamilya* beneficiary households (41 percent) – in 202 municipalities and 44 different provinces. The high share of poor households in the sampled program areas in Set 1 and Set 2 reflect the manner in which the *Pantawid Pamilya* was rolled out, which started in provinces and municipalities with the highest poverty incidence.<sup>11</sup> We limit our analysis to *Pantawid Pamilya* Set 1 and Set 2 areas as these areas have been systematically monitored for compliance for at least 3 quarters.

Figure 3: Map of NHTS-PR Coverage and Sample Areas



Source: DSWD, NHTS-PR and *Pantawid Pamilya* Databases

<sup>10</sup> The rules for complete or partial enumeration for pockets of poverty were based on the poverty incidence of the municipality according to the 2003 Small Area estimates (NSCB, 2008). Municipalities with 50 percent of poverty incidence or more were completely saturated. In municipalities or cities with below 50 percent poverty incidence, only poor barangays and pockets of poverty were completely saturated.

<sup>11</sup> The *Pantawid Pamilya* sets refer to the phases of implementation of the program. For more details on the *Pantawid Pamilya* roll out, see Social Protection Policy Note No. 2 (May 2011).



Because the sample for the analysis will only have enough representation in Set 1 and Set 2 areas, our results may not be representative of the poverty impacts at the national level, especially because the *Pantawid Pamilya* is still expanding. Levels of national impact would require nationally representative surveys that will capture the coverage of the *Pantawid Pamilya* at the national level as well as the population's complete income distribution, which is still not available at the time of writing this Note. Nevertheless, our analysis based on the sample remains informative of the potential impacts to beneficiaries in the poorest areas that have been prioritized by the program.

#### 4. Simulated Impacts on Poverty

**The *Pantawid Pamilya* covers municipalities with the highest concentration of the poor.** Table 1 presents key poverty indicators in sampled program areas. These indicators were determined using pre-transfer incomes based on the PMT (Column A) and the post-transfer incomes based on average compliance rates (Columns B and C) as described above. The share of poor households in both *Pantawid Pamilya* Set 1 and Set 2 areas prior to the program is at 61.6 percent, while the share of households who are in extreme poverty, or the food poor whose incomes fall below the food threshold, is at 33.7 percent. These numbers are three to four times higher than the poverty incidence and food poverty incidence rates at the national level. Based on the latest government estimates, poverty incidence among households at the national level is at 20.9 percent in 2009, while 7.9 percent of households in the country is in extreme poverty (NSCB, 2011). Poverty is also seven to eight times more severe in the *Pantawid Pamilya* program areas compared to the national average. The government estimates that the overall severity of poverty in 2009 is at 2.0 percent of the poverty line. In program areas, however, we estimate it to be as high as 15.8 percent at the outset, as in Set 1 areas. Among *Pantawid Pamilya* households, it is even higher at 17.5 percent.

**Based on observed compliance rates, the *Pantawid Pamilya* increases annual incomes of beneficiary households by 12.6 percent.** Pre-transfer annual per capita incomes of *Pantawid Pamilya* beneficiaries in our sample range between Php9,000 (\$214) and Php18,000 (\$429), as predicted by the PMT. Based on the results of the latest national household survey, this lies within the bottom two quintiles of the income distribution.<sup>12</sup> On average, *Pantawid Pamilya* beneficiary households in Sets 1 and 2 areas receive an annual cash transfer of Php 6,200 (\$148) from the program, which increases their total household income by 12.6 percent. This increase was again based on average compliance rates in education and health conditionalities that are still below 100 percent (Figure 1). These numbers are likely to be on the high side because of the way post-transfer incomes were estimated in this Note. Nonetheless, the results suggest that there is enough room for *Pantawid Pamilya* to increase current incomes of existing beneficiaries, and one is by way of improving their compliance to the program's health and education conditionalities, as will be discussed later in this section. The *Pantawid Pamilya* would augment annual household incomes of beneficiaries by up to 17 percent if they were fully compliant with the program conditions.

**This increase in income significantly reduces the incidence of poverty and the income gap of the poor in areas targeted by the program.** The results suggest that a 12.6 percent increase in the incomes of *Pantawid Pamilya* beneficiary households can reduce the poverty rate in program areas by 2.6 percentage points in a year, the income gap by 3.6 percentage points, and the severity of poverty in program areas by 2.9 percentage points (Table 1). As we would expect, the effect is even higher among *Pantawid Pamilya* beneficiaries who receive the cash grants with reductions of 6.2, 5.3, and 4.3 percentage points in the poverty rate, income gap, and poverty severity, respectively. In program areas, the reduction is much less because we include the null effect to non-beneficiaries. Encouraging effects of CCTs like the *Pantawid Pamilya* in reducing poverty incidence at the program level are also reported for Nicaragua (5-7 percentage points) and Colombia (3 percentage points). Effects are more modest for Mexico and Honduras (Fizsbein and Schady, 2009).<sup>13</sup>

<sup>12</sup> Although per capita incomes from the Family Income and Expenditure Survey (FIES) 2009 and those predicted by the PMT are not entirely comparable, we do this to validate if the results we get based on the PMT remain consistent with that of nationally representative surveys.

<sup>13</sup> In Mexico, poverty incidence at the program level was reduced only by 1 percentage point. In Honduras, reduction in poverty incidence was not significant but the poverty gap showed a 2 percentage point reduction.

**Table 1: Simulated Impacts of *Pantawid Pamilya* in Program Areas**

Poverty Indicators	Annual Pre-transfer Levels (A)	Annual Post-transfer Levels, by Compliance Rate	
		100% in Education & 100% in Health (B)	77% in Education & 70% in Health (C)
All Sample			
Per capita income (Pesos)	15,182	15,803	15,638 *
of <i>Pantawid Pamilya</i> HHs (Pesos)	9,205	10,704	10,306 *
Poverty incidence (% of HHs)	61.6%	57.9%	59.1% *
Food poverty incidence (% of HHs)	33.7%	26.1%	28.2% *
Income gap (% of poverty line)	34.1%	29.3%	30.5% *
Poverty gap (% of poverty line)	21.0%	17.0%	18.0% *
Poverty severity (% of poverty line)	15.2%	11.6%	12.4% *
Gini index	32.2%	29.4%	30.1%
Set 1 <i>Pantawid Pamilya</i> Areas			
Per capita income (Pesos)	15,971	16,653	16,472 *
of <i>Pantawid Pamilya</i> HHs (Pesos)	9,386	10,921	10,514 *
Poverty incidence (% of HHs)	60.1%	56.0%	57.2% *
Food poverty incidence (% of HHs)	32.9%	24.9%	27.1% *
Income gap (% of poverty line)	34.8%	29.6%	30.9% *
Poverty gap (% of poverty line)	20.9%	16.6%	17.7% *
Poverty severity (% of poverty line)	15.8%	11.7%	12.7% *
Gini index	33.1%	30.1%	30.8%
Set 2 <i>Pantawid Pamilya</i> Areas			
Per capita income (Pesos)	14,649	15,230	15,075 *
of <i>Pantawid Pamilya</i> HHs (Pesos)	9,068	10,540	10,148 *
Poverty incidence (% of HHs)	62.6%	59.2%	60.3% *
Food poverty incidence (% of HHs)	34.2%	26.9%	28.9% *
Income gap (% of poverty line)	33.6%	29.1%	30.2% *
Poverty gap (% of poverty line)	21.1%	17.3%	18.2% *
Poverty severity (% of poverty line)	14.9%	11.4%	12.2% *
Gini index	31.4%	28.8%	29.4%

Data source: DSWD, NHTS-PR and *Pantawid Pamilya* databases as of February 2011. All figures are WB staff estimates.

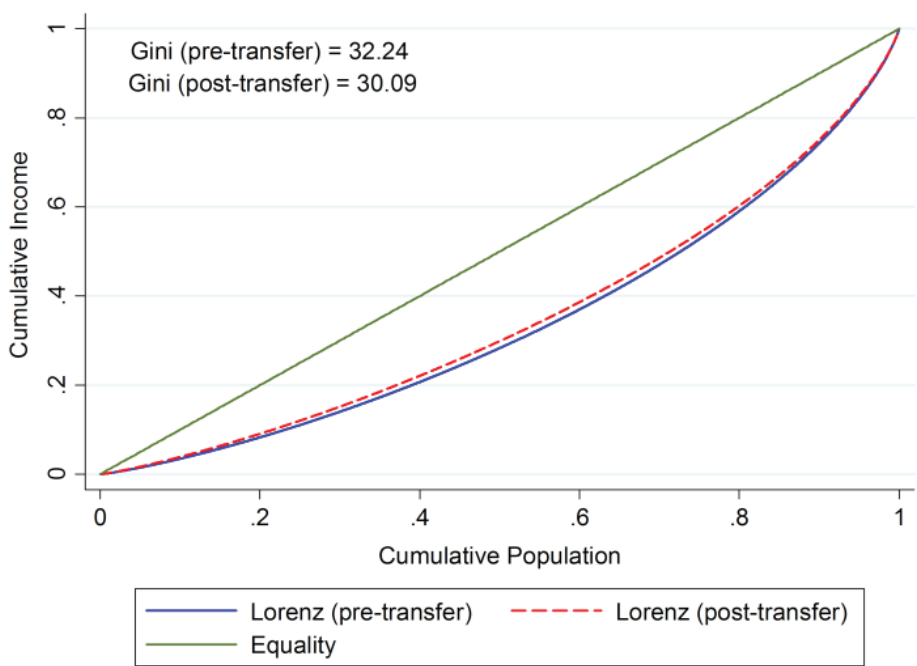
Note: \*significance at 95% level of paired t-tests between pre-transfer and post-transfer levels.



**The potential impacts among those in extreme poverty are more dramatic.** As mentioned earlier, 33.7 percent, or one in three households in Set 1 and 2 areas, do not earn enough to even provide for their household's food requirements. Looking only at *Pantawid Pamilya* beneficiaries in these municipalities, the share is even more striking. About two in three beneficiary households, or 61.4 percent, suffer from food poverty prior to the program. Grants received from the program would allow beneficiaries to buy their basic necessities, especially food. Studies of various CCT programs have shown how such transfers are indeed directed towards prioritizing food on the table (Fiszbein and Schady, 2009). If this is so, our results suggest that the *Pantawid Pamilya* grant can reduce food poverty among household beneficiaries by 13.3 percentage points. Consequently, it can reduce overall food poverty in program areas by 5.5 percentage points.<sup>14</sup>

**The *Pantawid Pamilya* can reduce income inequality in program areas by 6.6 percent.** The latest national household survey revealed that income inequality in the Philippines is at 44.8 in 2009. Our estimates based on the NHTS-PR show that inequality levels are lower in *Pantawid Pamilya* program areas at 32.2 before the program was introduced (Table 1). This can be expected because, by design, the program covers municipalities where the poor are concentrated and where variation in incomes may be lower. Figure 4 shows the Lorenz curve of *Pantawid Pamilya* program areas pre- and post-transfer. The bold blue line represents the distribution of income prior to the cash grant intervention while the dotted red line shows the distribution of income after the *Pantawid Pamilya* transfer. The line of perfect equality is represented by the 45-degree line. Figure 4 shows that the additional income provided by the program brings the income distribution in program areas closer to the line of equality, which suggests that the program is inequality-reducing. This change in the income distribution is estimated by a reduction in the Gini coefficient from 32.2 to 30.1, or a 6.6 percent reduction in income inequality after receiving one year of program grants. The redistributive effect of the *Pantawid Pamilya* is observed to be higher in Set 1 areas where poverty is more severe prior to the program than in Set 2 (Table 1).

**Figure 4: Inequality in Program Areas Pre- and Post-*Pantawid Pamilya* Transfer**



Source: WB staff estimates using NHTS-PR Database

<sup>14</sup> There is a body of literature on the impacts of CCTs on the consumption patterns of beneficiaries and how they allocate transfer incomes on food and non-food necessities. Many of these studies are documented in Fiszbein and Schady (2009).



**Improving compliance of existing beneficiaries now will enhance the poverty-reducing impacts of *Pantawid Pamilya*.** Many of the children who are eligible for the *Pantawid Pamilya* grants do not receive them because either they are not enrolled in school or enlisted in a health center for the regular monitoring of compliance. In some cases, children are attending but updates have not been presented or reflected in the system so that attendance is not properly monitored. Based on the latest *Pantawid Pamilya* CVS reports, about 20 percent of children aged 6-14 years old registered for the education grant are not enrolled in school. Another 20 percent of children below 5 years of age who are registered for the health grant are not enlisted in health centers (Table 2). This affects the amount of benefit they get from the program because children who are not enrolled in schools or enlisted in health centers are marked as non-compliant. This could be a consequence of many factors, including problems of access to schools and health facilities for many poor households. The 2008 Annual Poverty Indicators Survey reports that 24.2 percent of children of schooling age were not attending school because the schools are far and parents cannot cover the cost of sending children to school. Ensuring that *Pantawid Pamilya* children have access to schools and health centers will thus help improve the monetary benefit they get from the program as well as their gains on human capital development.

**Table 2. Children Monitored for *Pantawid Pamilya* Compliance in 2010**

	Set 1 Beneficiaries				Set 2 Beneficiaries		
	Q1	Q2	Q3	Q4	Q2	Q3	Q4
<b>Education Conditionality</b>							
Children for Education monitoring	523,091	533,463	536,146	542,685	492,907	493,256	448,035
of which are NOT enrolled	129,908	91,727	100,928	93,228	134,612	123,736	82,998
share to children registered for grant	25%	17%	19%	17%	27%	25%	19%
<b>Health Conditionality</b>							
Children for health monitoring	307,062	292,036	276,566	260,270	365,642	299,028	254,945
of which are WITHOUT a health center	51,293	47,050	45,662	36,793	88,403	84,005	61,041
share to children registered for grant	17%	16%	17%	14%	24%	28%	24%

Source: DSWD, *Pantawid Pamilya* CVS report as of April 2011.

Note: Q1, Q2, Q3, and Q4 refer to quarters 1 to 4 of the calendar year 2010.

**The impact of *Pantawid Pamilya* in reducing poverty and inequality could also be enhanced if cash transfers were differentiated by type of households.** The poorest comprise the biggest share of *Pantawid Pamilya* household beneficiaries. About 21 percent of all beneficiaries of the program as of today belong to those whose households only have children below 5 years old (Table 3). These are also the households who have the lowest incomes as predicted by the PMT. However, by program design, they also receive the least benefit from the *Pantawid Pamilya* as they do not receive education grants. Even if they comply with all the health conditionalities that apply, their monetary benefit from the program can only amount to a maximum of 13 percent of their household income. If benefits can be differentiated by household composition, the poorest beneficiaries can receive more and the impacts on reducing the poverty gap of poor beneficiaries will be higher. Mexico's Oportunidades is one example of a program that applies differentiated grant amounts based on children's level of schooling. This type of scheme, however, entails a very sophisticated system and will add more complexity to the current operation of the program, and could be considered once the program has matured.

**The contribution of *Pantawid Pamilya* in improving education and health outcomes can help beneficiaries attain a better quality of life in the future.** Besides providing immediate income support, the *Pantawid Pamilya* is also envisioned to address lagging outcomes in education and health especially among children, similar to the experiences of other CCT programs. Colombia's Familias en Acción had an impact of 2.1 percentage points in the enrolment of children 8-13 years old while Honduras' Programa de Asignación Familiar showed an increase of 3.3 percentage points.



Meanwhile, on health, beneficiary children of the Familias en Acción aged 2 years and below saw a 7.0 percentage point reduction in the probability of stunting. In Mexico, children beneficiaries of the Oportunidades were 26 percent less likely to be anemic after receiving benefits for a year and infant mortality rate is lower by 2 deaths per 1,000 live births in program areas. Given the high income-related inequality in education and health indicators, the *Pantawid Pamilya* is expected to result in similar positive improvements. This can be realized if (i) implementation of the program remains focused on ensuring that beneficiaries comply with the conditions, and (ii) the level and quality of education and health services do not fall short of the demand especially coming from *Pantawid Pamilya* beneficiaries.

**Table 3. Maximum Grants from *Pantawid Pamilya* by Type of Eligible Households**

Type of Household (HH)	Share to Eligible HHs (%)	Mean HH Annual Income (Php)	Health Grant (Php)	Educ Grant (Php)	Total Grants (Php)	Share to HH Income (%)
All children are 0-5 years old	21	45,540	6,000	n/a	6,000	13
Children 0-5 and 1 child 6-14 y.o.	14	53,129	6,000	3,000	9,000	17
Children 0-5 and 2 child 6-14 y.o.	14	56,172	6,000	6,000	12,000	21
Children 0-5 and 3 child 6-14 y.o.	19	57,022	6,000	9,000	15,000	26
With 1 child 6-14 y.o.	11	53,268	6,000	3,000	9,000	17
With 2 children 6-14 y.o.	11	57,609	6,000	6,000	12,000	21
With 3 or more children 6-14 y.o.	10	61,872	6,000	9,000	15,000	24
Average		53,976			10,630	20

Source: DSWD, *Pantawid Pamilya* Database as of February 2011. Note: y.o.= years old

**If the additional income from *Pantawid Pamilya* enables beneficiaries to save or smooth consumption in times of income fluctuation, the program can also have positive impacts on their long-term consumption and well-being.** The immediate effect of *Pantawid Pamilya* on current income is an important determinant of poverty alleviation especially because it is mainly targeted to the poor population. However, a natural question is whether those effects are likely to remain when beneficiaries graduate from the program or when the program itself ends. Positive effects can be maintained if households are able to save or invest in productive assets that can have long-term returns. Another is if transfers allow households to overcome income fluctuations in times of shocks and enable them to protect spending on children's schooling and health needs. In the case of Mexico, it was found that households invest 12 percent of transfers received from Oportunidades and they were able to increase their consumption level by 34 percent after five and a half years in the program (Gertler, et al, 2006). Studies for Nicaragua show that CCT transfers allowed beneficiaries to weather the negative impacts of the coffee crisis in 2000-2001 (Fiszbein and Schady, 2009). In the case of the Philippines CCT, the planned impact evaluation of the *Pantawid Pamilya* will shed more light on these impacts once completed.

## 5. Conclusion & Recommendations

**The *Pantawid Pamilya* has potentially significant impacts in reducing current poverty.** While the vision of the *Pantawid Pamilya* is to reduce structural poverty by ensuring that the youth nurtured under the program become healthy, well-educated, and productive members of the society, the program also has important short-run benefits that are particularly important in addressing income volatility of poor beneficiaries as highlighted in this Note. Using available data in the NHTS-PR on *Pantawid Pamilya* program areas and beneficiaries, we have shown that cash transfers associated with the program can reduce the incidence of current poverty and food poverty among beneficiaries by 6.2 and 13.3 percentage points, respectively. The program can also lead to reductions of 2.6 and 2.9 percentage points in the incidence and severity of poverty in program areas, respectively. Moreover, the program can improve the distribution of income in program areas by reducing inequality by 6.6 percent. These results relied heavily on the ability of the *Pantawid Pamilya* to target the poor and the income effects of the cash grants that poor beneficiaries received based on their compliance to program conditions.

**The poverty impacts of *Pantawid Pamilya* can still be enhanced by increasing compliance rate of existing beneficiaries.** Currently, about 20 percent of children who are registered to receive *Pantawid Pamilya* education grants are not receiving them because they are not enrolled in school. Another 20 percent of children aged 0 to 5 who are registered to receive *Pantawid Pamilya* health grants are also not receiving them because they are not enlisted in a health center. Among those who are enrolled, regular attendance can still be improved if the costs of sending children to school can be brought down. In health, the space for improving beneficiary compliance is much bigger. Doing this, however, will require concerted efforts in addressing supply-side issues in health and education services. Full support from relevant agencies as well as the local government is crucial in this effort. Moving forward, as the program matures, enhancing the design of the *Pantawid Pamilya* by differentiating benefits by household type can also add on to the poverty and inequality impacts of the program.

**In light of continuous program expansion, further strengthening the implementation of *Pantawid Pamilya* is key to achieving a significant impact on poverty.** The *Pantawid Pamilya*'s promise to address poverty relies heavily on its ability to target the poor and ensure that investments are being made on enhancing the human capital of the poor so they can overcome future poverty. Given the attention to this new program and its continuous expansion, it is imperative to ensure that systems are working properly to maintain the credibility of the *Pantawid Pamilya* to deliver on its promise. By the end of 2011, the program is planned to cover 2.3 million, enough to reach about 60 percent of the country's poor. However, realizing the program's impacts on national poverty will hinge almost entirely on the ability of program implementers to ensure that assistance goes to the poor, that beneficiaries are monitored on their compliance with the *Pantawid Pamilya* conditionalities, and that constraints in supply are addressed so beneficiaries can maximize their monetary benefits from the *Pantawid Pamilya*. A top priority should then be the continued strengthening of the program's institutional foundation, including beefing up program staff to build a strong base to support program implementation and monitoring on the ground. At the same time, the level and quality of education and health services need to stay abreast of the increasing surge in demand because of the *Pantawid Pamilya*.

## References

- Bobonis, Gustavo, and Frederico Finan (2008). "Endogenous Social Interaction Effects in School Participation in Rural Mexico," Review of Economics and Statistics.
- Department of Social Welfare and Development, NHTS-PR Database as of Feb. 2011 and Pantawid Pamilya CVS Report as of April 2011.
- Fernandez, Luisa and Rosechin Olfindo (2011). "Overview of the Philippines' Conditional Cash Transfer Program: The Pantawid Pamilyang Pilipino Program - Pantawid Pamilya," Social Protection Policy Note No. 2, May 2011.
- Fiszbein, Ariel and Norbert Schady (2009). Conditional Cash Transfers: Reducing Present and Future Poverty. The World Bank, Washington, DC.
- Gertler, Paul, Sebastian Martinez, and Marta Rubio-Codina (2006). "Investing Cash Transfers to Raise Long-term Living Standards," Policy Research Working Paper 3994. The World Bank, Washington, DC.
- Manasan, Rosario and Janet Cuenca (2007). "Who Benefits from the Food-for-School Program and Tindahan Natin Program: Lessons in Targeting," Philippine Institute for Development Studies Discussion Paper Series No. 2001-10. Makati, Philippines.
- National Economic and Development Authority (NEDA), United Nations Development Program, New Zealand Aid Program, and Australian Aid Program (2010), Philippines 2010 Report on the Millenium Development Goals.
- National Anti-Poverty Commission and National Statistical Coordination Board (2006). Assessment of Vulnerability to Poverty in the Philippines, Quezon City.
- National Statistical Coordination Board (2011). "2009 Official Poverty Statistics," February 2011.
- National Statistical Coordination Board (2008). 2003 Intercensal Small Area Poverty Estimates, September 2008.
- World Bank (2010). "Crisis Monitoring Survey 2010," datafile.
- World Bank (2009a). "Towards an Inclusive Recovery" Philippines Quarterly Update, November 2009.
- World Bank (2009b). Social Welfare and Development Reform Project, Project Appraisal Document, October 2009.
- World Bank (2008). Food Crisis Response Development Policy Operation Program Document. The World Bank Office Manila, Pasig, Philippines, November 2008.



**THE WORLD BANK GROUP**



**Australian Government**  
**Aid Program**